

State Farm Settles Class Action Suit in Washington State

Editorial Staff

State Farm has reached a settlement agreement with class action plaintiffs in Washington over a fee structure based on the publication, Fee Facts. Fee Facts surveys provider charges in a given area, averages them, and arrives at a "customary" fee. State Farm was applying the customary fee to its insureds: a doctor charging more than the customary fee would only be reimbursed the customary fee; a doctor charging less than the customary fee, would be reimbursed at the lower rate.

Providers were sent a letter explaining that their charges exceeded the "prevailing reasonable, customary charges for this area," based on the published survey, Fee Facts. The patients also received letters stating that their provider was overcharging and that they did not have to pay the excess amount.

When many letters to State Farm and the office of the Washington State Insurance Commissioner failed to provoke a change in the status quo, a class-action lawsuit was instigated. Representing the providers was the law firm of Levinson, Friedman, Vhugan, Duggan & Bland represented the plaintiffs. The plaintiffs asserted:

- State Farm had changed their insurance contract with their insureds from "reasonable, necessary, and related" to "customary charges";
- Fee Facts used inaccurate, inconclusive and unreliable data;
- interference with the doctor/patient relationship;

On Nov. 14, 1994, State Farm agreed to settle the suit. The preliminary terms of the settlement are:

1. All Fee Facts reductions imposed against health care providers will be reimbursed in full.
2. State Farm must pay a penalty of 25 percent. For example, if a doctor's bill was reduced by \$100, State Farm must reimburse \$125.
3. State Farm will cease relying on Fee Facts, in its present form, as the sole determinant of "reasonable" medical expenses.
4. State Farm will pay all reasonable fees and costs incurred by the class-action plaintiffs.

A follow-up hearing is scheduled Feb. 7, 1995. Notice of the hearing was published in 18 Washington state newspapers at State Farm's expense.

Editor's note: Patients or providers whose bills were reduced because of State Farms' use of Fee Facts, are encouraged to contact paralegal Beverly Bailey (206) 624-8844 to obtain a claim form. To contact the Seattle firm of Adler, Alexander, Giersch, call (206) 682-0300.

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